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SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 26 June 1995, at 3 p.m.

President: Mrs. OK (Turkey)

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The meeting was called to order at 3.10 p.m.

ORGANIZATION OF WORK (*continued*)

1. **The PRESIDENT** said that the Bureau recommended the establishment of informal consultations to facilitate the drafting of decisions on agenda items 4-15 as well as items 17 and 18. Concerning item 16, it was recommended that the Bureau itself should examine applications from non-governmental organizations for consultative status with UNIDO. The Bureau recommended that Mr. Al-Ghais (Kuwait), Vice-President of the Board, should chair the consultations.

2. *The above recommendations were adopted.*

3. **The PRESIDENT** said that a request had been received from the representative of the staff for the presentation of the staff's views to the present session of the Board, in accordance with General Conference resolution GC.4/Res.29. If there was no objection, he would give the floor to the representative of the staff as second speaker.

UNIDO POLICY FRAMEWORK — ORGANIZATIONAL AND STAFF STRUCTURE (*continued*) (IDB.14/13, IDB.14/8, chap. IV; IDB.14/CRP.4)

MEDIUM-TERM PLAN, 1996-2001 (*continued*) (IDB.13/19)

4. **Mr. EL HUSSEIN** (Sudan), on behalf of the Group of 77, said that the members of the Group had supported the reform and reorganization of the United Nations system as a whole, to enable it to confront the challenges and demands of the time. Within the United Nations system, UNIDO had played a pioneering role in accelerating the industrialization of developing countries and had accumulated a wealth of knowledge and experience in that field. UNIDO had a crucial role to play in the field of industrialization. In the context of the changes in the global environment and the reforms of the United Nations system, UNIDO had launched a far-reaching reform process after a comprehensive review by its Member States. At the fifth session of the General Conference, Member States had unanimously adopted the Yaoundé Declaration and had voiced their unanimous support for UNIDO as the central coordinating agency in the United Nations system for the industrialization of the developing countries. Its reform process had been vigorously pursued since then, as had been recognized by Member States. It was also recognized that sustainable industrial development was a central theme of any meaningful agenda for development designed to achieve socio-economic development.

5. The Group noted with deep concern that the economic communiqué issued by the Summit of the Group of Seven at Halifax, Canada, appeared to cast doubt on the future role of UNIDO and of industrialization in general and to constitute a retreat from the commitments expressed at Yaoundé. In April 1995, the Foreign Ministers of Non-Aligned and Developing Countries meeting at Bandung had stressed the importance of enabling UNIDO to play its full role as a focal point in the field of industrial development in the United Nations system, expressed their firm determination to oppose any attempt to weaken or undermine UNIDO's contributions to the development process and called for renewed efforts to strengthen the role and functions of UNIDO. The Group wished to reiterate its statement of 8 March 1995, that it rejected the conclusions regarding UNIDO and the role of industrialization put forward in the report of the self-appointed Commission on Global Governance.

6. The Group called on all Member States to implement the commitment they had made at Yaoundé by providing the financial and technical support for UNIDO that was crucial for the success of the reform process. It called on all Member States to fulfil their obligations under the UNIDO Constitution and pay their assessed contributions in full. Any unilateral action which violated the norms and rules which Member States had freely and voluntarily accepted could undermine the very structure of the United Nations system. The Group reiterated its support for UNIDO and its Director-General in the difficult task of speeding up the process of making UNIDO more efficient, more effective and more responsive to the changes currently taking place in the world.

7. **Ms. GREGOR** (First Vice-President, Staff Council) said that UNIDO was facing a grave challenge to its future existence, a situation in which it appeared to be particularly vulnerable to external political forces and events.

8. Reports from the media and from the international debate on international cooperation and information from within UNIDO were creating confusion and concern among the staff regarding the future of the Organization. It seemed that a new financial crisis was looming and that, despite strong political commitments from the majority of Member States in the light of progress in the reorientation and restructuring of UNIDO, possible reductions or non-payment of assessed contributions by one or more of the major contributors constituted real threats to the existence of the Organization.

9. The adjustment of the Organization to a changing external environment could be legitimate and healthy

only within a stable and well-defined framework, with clear goals and the fullest involvement of all responsible parties and of the staff at large. The Staff Council had repeatedly stated its readiness to participate in and contribute to the implementation of the adjustments required as the twenty-first century approached, and to work together with management to develop a new vision for UNIDO. Meetings had been held with the Office of the Director-General in order to improve staff-management dialogue and seek clarity on emerging issues. She hoped that consultations with the Director-General would continue after the current Board session, in the light of its deliberations. The staff representatives must also be closely involved in the work of the consulting firm that had been recruited to assist the Organization in strengthening the reform process. A well thought-out and clearly defined personnel policy was a major factor for the achievement of a strong UNIDO, *inter alia* by the optimal utilization of available human resources; that point seemed to be of particular relevance in the light of the statement made by the United States delegation at the first meeting of the current session. The survival of the Organization must not be called in question and it was important to restore staff morale and a sense of shared organizational purpose in order to correct the adverse trend.

10. However, the staff needed a clear message from the Member States as to how to overcome what could be perceived as a "crisis of purpose" confronting UNIDO, and also the more tangible financial crisis.

11. She appealed to Member States to reiterate their support for UNIDO and its staff so that the common goal of equitable and sustainable development could be achieved.

12. **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria) asked that the statement by the First Vice-President of the Staff Council be distributed to all delegations.

13. **Mr. HOJJAT** (Islamic Republic of Iran) said that industrial progress in the developed countries had been achieved without consideration of ecological factors, whereas the developing countries faced environmental and other restrictions. That entailed great costs, which might slow down the process of the industrial development of the developing countries. Developing countries should therefore be assisted financially and technologically by developed countries on a fair basis.

14. The structural economic changes taking place throughout the world were mainly the outcome of technological innovation. However, the prospect for industrial development of the developing countries was not bright. Those countries were hampered by an unfavourable external economic environment characterized by inadequate access to technology and know-how and a widening technological gap between developed and developing countries. The goal set in the Lima Declaration for the share of developing countries in world industrial production had not been reached. Industrial development performed an essential function in combating poverty and creating jobs, as reaffirmed by the General Assembly in its resolution 49/108.

15. UNIDO had a crucial role to play in the industrialization process and had worked in partnership with both developing and developed countries as a centre of excellence and an honest broker. Nevertheless, the role of industrial development as a key element of economic development had recently been questioned in some media and in the report *Our Global Neighbourhood* presented by the self-appointed Commission on Global Governance. The economic statement of seven major industrialized countries issued recently at Halifax, Canada, had unfortunately been affected by the findings of that Commission regarding UNIDO. His delegation considered that the conclusions of the Commission and other similar bodies on industrial development and the role of UNIDO were totally erroneous.

16. Amputation before diagnosis was not the correct solution. It would be unwise to close down an active and much needed organization when no substitute was created, particularly when the organization in question had already undergone a process of reform and revitalization. The reformed UNIDO had a very vital and constructive role to play in technical cooperation among developing countries and in South-South cooperation. It had also been a capable partner for developing countries in the South-North dialogue.

17. His country called on all other Member States, in particular the major contributors, to extend full financial, political and technical support to UNIDO, in line with the commitments made at Yaoundé, particularly by timely payment of their assessed contributions.

18. The correct place to evaluate the achievements of the reform process of UNIDO was within the Organization. The Member States should establish criteria for measuring the achievement of the objectives of the reform process, so that the General Conference could evaluate the whole situation and approve any further measures necessary to improve the impact and quality of UNIDO services.

19. His delegation had studied with interest the Director-General's proposals for improving UNIDO programmes through a strengthened focus and rationalization of activities. His delegation particularly welcomed the Director-General's proposals on the seven programmatic themes for the 1996-1997 biennium. UNIDO

should also have enough flexibility to render appropriate technical assistance or advisory services on request.

20. His delegation reaffirmed its total support for the UNIDO reform process and urged the Secretariat to use every possible opportunity to achieve the objectives of the reform process and improve the quality of UNIDO's services. The Secretariat should also further improve its efforts to increase transparency in the activities of the Organization through regular dialogue with Member States and better public relations.

21. He fully supported the statement made by the Chairman of the Group of 77.

22. **Mr. PUCCIO** (Chile) said that he warmly supported the declaration made on behalf of the Latin American and Caribbean Group. It should never be forgotten that the importance of the United Nations in constructing a better and more just world was based on its capacity for promoting conditions for peace; and the other name for peace was development.

23. It would be a grave error to reduce discussion to consideration of budgetary questions, however important they might be. In a world of rapid change, it was important to tackle the collective tasks that contributed to development, which required a sound basis in the transfer of capital, experience and know-how in order to increase the industrial capacity of developing countries and transform their societies. UNIDO had played an invaluable role in that process and should continue to do so.

24. The fifth session of the General Conference and the Yaoundé Declaration had marked the beginning of a new era for UNIDO, setting new targets for the Organization and adapting it to emerging world realities. The road since Yaoundé had not been an easy one and the efforts of the Director-General and the Secretariat had been made against a background of a changing and ever more competitive world, accompanied by new demands for services from the developed countries.

25. Chile noted with concern that the growing demands made on the international organizations were not matched by a willingness to provide the necessary funds. Indeed, the domestic situation in many countries had led to a petty attitude towards contributions to such organizations.

26. He emphasized the relevance of UNIDO for industrial development; its knowledge and long experience should be used, and its structure and functions adapted to new global needs in conformity with the Yaoundé mandate.

27. His country therefore supported the difficult task assumed by the Director-General and the continuation of the reform process; UNIDO's operations and structures should be further refined so as to meet new challenges with increasingly efficient management in the context of zero growth.

28. He strongly supported decentralization of UNIDO so that the best possible use could be made of its resources for direct assistance to the recipient countries. In view of the need for greater efficiency and effectiveness in management, he supported the principle of a strengthened focus and the establishment of appropriate priorities in UNIDO's activities and programmes.

29. He agreed with the approach proposed by the Director-General in document IDB.14/13, with the seven priority programmatic themes together with the geographical and sectoral approaches, which established basic selection criteria for optimizing UNIDO's services. Mechanisms for design, evaluation, approval and financing should be simplified and clarified as far as possible by means of transparent, expeditious and less costly administrative processing of assistance programmes and their prompt implementation. Otherwise, the objectives of the projects requested might cease to be of relevance to the recipient countries.

30. **Mr. MAZILU** (Romania) said that the present debate was being held at a time of profound transformations occurring throughout UNIDO. Despite the major difficulties facing the Organization stemming from the structural changes, current resource constraints and unpredictable future financial inflows, the Director-General had succeeded in developing the main elements of the framework for reorienting the services of UNIDO and had introduced an improved management, thereby ensuring the implementation of the reform process, culminating in a new organizational structure and efficient operating procedures. Reforming the Organization was, however, a complex process, the full success of which depended on both donor and recipient countries.

31. His delegation appreciated the Director-General's efforts in defining a clear focus of the activities of the Organization and fully supported the proposals contained in that connection in document IDB.14/13. Unless strong international support was provided to complement the national efforts of developing countries, the developmental gap between those countries and the developed world would continue to widen.

32. Romania was willing to support UNIDO's efforts aimed at formulating programmes and projects for the economies in transition in Central and Eastern Europe

and for the newly independent States of the former Soviet Union, which would make it possible to meet priority needs in the development of market-oriented policies and institutions and in the areas of industrial restructuring, privatization, investment promotion and management, and entrepreneurial development.

33. His country's experience had shown that small and medium-sized enterprises formed an essential part of the industrial infrastructure and played a key role in economic development, being able to contribute to growth, employment, poverty alleviation and rural development. However, given their size and lack of expertise, they required assistance through an efficient institutional and policy framework to facilitate access to information, technological know-how and specialized skills. It was gratifying to note that UNIDO understood those requirements and in some areas was successfully supporting small and medium-sized enterprises through its technical expertise. UNIDO could and should continue its programmes and activities with a strong focus on such enterprises.

34. **Mrs. LAJOUS VARGAS** (Mexico) said that the current session of the Board should constitute a prelude to the next General Conference session, at which the achievements of the process of reform and revitalization of UNIDO would be assessed. In the new global environment, the demand for and nature of the Organization's services were changing, and it was necessary to adapt UNIDO to those changes. The development of industry, as an engine of growth and the basis of socio-economic development, was still a priority aim to which maximum efforts should be directed. Her delegation confirmed its support both for the Organization and for its reform process, and was deeply concerned by the view expressed in some quarters that industrial development had ceased to be important to the developing countries. Such an affirmation was baseless. Indeed, in Mexico the redefinition of industrial policy had assumed a fundamental role in the new development strategy.

35. Her delegation felt that document IDB.14/13 made a significant contribution along the lines defined by Member States, and supported the planned concentration of activities with an interrelated geographical, sectoral and thematic focus and the attempt to achieve improved quality of services as part of a process of gradual change, with the establishment of a service management process incorporating all UNIDO projects into the screening, review and approval process. It would also be beneficial to include an evaluation phase in that exercise.

36. Important results of the reform process included greater specialization in terms of the number of directly supported subsectors, increased importance attached to cross-sectoral issues, leading to a change in the nature of UNIDO's services and an adjustment of available expertise, and also the shift in the main clientele towards small- and medium-scale industries. In that connection, she was pleased to report that two of Mexico's largest associations of industrialists had strengthened their cooperation with the Organization.

37. Her delegation considered that the criteria for the prioritization of subsectors outlined in document IDB.14/13 were fully in line with the developing countries' requirements. Mexico supported the focusing of UNIDO's efforts and resources on the 32 subsectors selected, and approved the seven programmatic themes in their modified form.

38. Regarding the implementation arrangements, efforts should be made to achieve increased participation by recipient countries at the various stages and a greater *rapprochement* between the operational areas and the permanent missions in Vienna. Her delegation was pleased to note the new approach to project evaluation, which was now aimed at assessing the effects of the Organization's activities at the thematic and sectoral levels. Mexico also welcomed the idea that, in future bienniums, programme performance reports should indicate the substantive achievements under the seven themes by component, including contributions made by the different funding sources.

39. With regard to the revised draft medium-term plan, 1996-2001, her delegation supported the recommendation made in decision IDB.13/Dec.14 that the medium-term plan be renamed the "medium-term programme framework". It also agreed that the coverage of the plan should be reduced to four years. That would bring it more into line with the Programme and Budget Committee's calendars.

40. **Mr. GORELIK** (Russian Federation) said that the Russian Federation still saw UNIDO as the main body within the United Nations system responsible for coordinating the promotion of industrial development, and had noted with satisfaction the increased cooperation between UNIDO and the economies in transition in their endeavours to restructure their industrial potential. The Russian Federation was interested in participating in developing cooperation with the Organization in regard to the restructuring of the country's industry and investment promotion at the national and regional levels.

41. With regard to the measures taken by the Organization to define its priorities more clearly and to strengthen the focus of its technical cooperation programmes, his delegation hoped that greater care would be exercised in the choice of programmes and in project selection. Unfortunately, there were still cases of projects

taken up on the basis of requests that had not been fully worked out or even without the relevant agencies within the Member States concerned being notified.

42. In his delegation's view, the measures adopted to improve UNIDO programmes through a strengthened focus, as outlined in document IDB.14/13, generally constituted an adequate response to Member States' requirements. UNIDO should, however, consider where its comparative advantages lay and should cut back on resources allocated for administrative programmes.

43. His delegation agreed that the geographical focus of UNIDO should be on the developing countries in Africa and on the least developed countries (LDCs). It also supported the thematic focus, which, it believed, reflected the overall view of Member States regarding the priority direction of the Organization's activities. It was important to ensure that those activities balanced the needs of industrial efficiency with the principles of social participation, environmental stability and human resource development. With regard to the sectoral focus, his delegation noted with satisfaction that the number of sectors on which UNIDO would concentrate its efforts had been reduced considerably. It was only by discontinuing the less important programmes that the Organization's resources could be channelled effectively.

44. His delegation felt that the description of the implementation measures and follow-up action, as appearing in section V of document IDB.14/13, constituted a very general and vague outline, from which it was not possible to assess how effective they would be in practice. Might not the mechanism described simply become yet another bureaucratic initiative? However, the more stringent procedures envisaged for the screening of proposals and requests for UNIDO's services and the proposed criteria for project approval (IDB.14/13, paras. 163 and 164) were commendable.

45. With regard to the staff structure, his delegation was dissatisfied with the Director-General's efforts to redress the imbalance in the geographical distribution of posts within the Secretariat. According to document IDB.14/8, paragraph 31, only six of the 12 vacancies advertised since November 1994 had been filled by candidates from underrepresented or unrepresented countries. That contravened decision IDB.13/Dec.2. He would like an explanation of the rationale in that regard and an indication of how the Director-General intended in the future to implement Member States' decisions concerning the equitable geographical basis of recruitment. Some overhauling of the personnel services was, in his delegation's view, called for.

46. Finally, his delegation was disturbed by the United States delegation's confirmation at the previous meeting of its intention to reduce its contributions to UNIDO's budget in the current and following years. That would regrettably mean greater economies and probably a reduction in programmes, and would make the process of UNIDO's reform more difficult.

47. **Mr. MARCHAN** (Ecuador) said that his delegation fully associated itself with the remarks made at the current session by the representatives of the Group of 77 and the Latin American and Caribbean Group, but was deeply concerned by remarks made by other speakers regarding reductions in financial resources. Such reductions would have a negative impact on the Organization and constitute an additional obstacle in its reform process.

48. UNIDO was currently passing through a very important period in its history. The international environment had changed, and the circumstances of some countries were different from those that had existed a few years previously. The Organization had been able to respond to the new international economic challenges by initiating and pursuing, since the fifth General Conference session, a process of reforms with the political and financial support of all Member States. The reasons that prompted the establishment of UNIDO were today just as valid as in the past, particularly since the technological gap between the developed and the developing countries had widened considerably and the industrial requirements of the developing countries grew ever greater.

49. His delegation agreed with those speakers who had requested that the Director-General present a report to the sixth General Conference session on the results of the reform process, including the seven programmatic themes that would constitute the focus of UNIDO's activities in the 1996-1997 biennium, on the basis of the criteria to be approved at the current session of the Board.

50. **Mrs. ROZGONOVA** (Slovakia) said that her Government welcomed UNIDO's proposals contained in document IDB.14/13, which should lead to substantial improvements.

51. Her Government believed that the reform and revitalization measures taken by the Director-General were in line with the Yaoundé Declaration and hoped to see further improvements in administration and management and also in the priority areas. As a country with an economy in transition, Slovakia hoped that it could count on UNIDO's technical cooperation in many important areas connected with its restructuring. Her country was also ready to assist the developing countries and strengthen its role in UNIDO as a donor country. A joint programme for cooperation between UNIDO and

Slovakia had been set up at the beginning of the year; it was being carried out by two Slovak centres financed from voluntary contributions to IDF and would offer the developing countries opportunities for specialized education in basic industries.

52. Her Government had stressed the need for a high-level meeting to support industrial development throughout the world, and welcomed the decision taken by UNIDO and the Government of India to organize a global forum on industry in October 1995 with a view to highlighting the role of, the trends in and the prospects for industrial growth based on global economic development.

53. Her Government realized that the reorganization and revitalization of UNIDO was a painful and complex process but it was confident that UNIDO would be transformed into an efficient organization providing high-quality services to Member States. It fully supported the Director-General's efforts to fulfil the mandate given to him by the Member States of UNIDO and looked forward to his report to the sixth session of the General Conference on the results of the measures he had taken.

54. **Mr. KSENTINI** (Algeria), speaking on behalf of the African Group, said that the Group had been pleased to note that the new concept developed by UNIDO in its new structure was in line with the wishes expressed by the African countries during the past few years and that the commitments made by the Director-General at Yaoundé had been respected. It hoped that UNIDO would be provided with the assistance and encouragement it needed to implement the Yaoundé Declaration further.

55. The African Group supported the proposal concerning the elimination from the Constitution of the 6 per cent regular budget ceiling for technical cooperation activities (see document IDB.14/6, para. 34), which should help to introduce sufficient flexibility into the budget to enable the Secretariat to strengthen technical cooperation activities.

56. It supported the proposals to strengthen UNIDO's field representation and those proposals concerning the programme and budget for 1996-1997.

57. It congratulated the Secretariat on the innovations introduced into the Annual Report to allow for a better understanding of UNIDO's activities and programmes. It believed that efforts should be continued to further improve the presentation of UNIDO's main priority areas and objectives, which must be in line with the expectations of Member States. It trusted that the new programme would be drawn up in the light of UNIDO's financial and technical capacities. It recognized the efforts made since December 1993 to give new impetus to technical cooperation activities. It also suggested that more attention be given to the coordination of activities undertaken by more than one division or unit of UNIDO. It hoped that the Director-General would guide his staff in responding to such suggestions; their intention was to help improve the quality of the services rendered to Member States.

58. With regard to UNIDO's financial position, the African Group called upon Member States to honour their financial commitments to the Organization so as to enable it to meet the objectives set for it by its governing bodies.

59. Bearing in mind the importance of investment flows in private sector development and UNIDO's role in promoting the mobilization of funds for that purpose, it supported all efforts made by the Director-General to give the necessary priority to the creation of investment promotion services in developing countries, thus allowing investment networks between developing and developed countries to be established.

60. The African Group supported the provisional agenda proposed by the European Union for the sixth session of the General Conference.

61. It welcomed the useful information provided by the Director-General concerning implementation of the programme for the Second Industrial Development Decade for Africa (IDDA). It hoped that UNIDO would receive more pledges from donor countries and wished to request the Director-General to accord high priority to achieving the objectives set for the Second IDDA, where necessary by reinforcing the staff of the Secretariat.

62. The African Group fully shared the views expressed by the Group of 77 concerning the report of the Commission on Global Governance. The issue raised concerned the very existence of UNIDO, which the African Group considered to be one of its best partners. At its meeting held from 6 to 8 June 1995, the Conference of African Ministers of Industry, reaffirming the fundamental role of industrialization in the economic and social development of African countries, had declared that UNIDO had a vital role to play in the process of industrialization. The Ministers had expressed their concern about the suggestion in the report of the Commission on Global Governance that UNIDO should be closed down, which was contrary to the spirit of the Yaoundé Declaration, and they had encouraged the Director-General to continue and intensify his efforts towards the industrial development of Africa.

63. The African Group wished to thank those countries that were providing financial and political support to UNIDO. It would continue to speak in favour of UNIDO's continued existence during forthcoming conferences, including those of the non-aligned nations, the United Nations General Assembly, the Ministerial Symposium on the LDCs to be held in November/ December 1995 and the sixth session of the UNIDO General Conference.

64. **Mr. SÖLENDIL** (Turkey) said that the Yaoundé Declaration had endorsed the objective of the reform of UNIDO to meet the challenges of the changing world economic environment and had indicated new priorities. He commended the Director-General for his efforts to focus the Organization's activities on certain areas, and for the improved presentation of the latest Annual Report. He expressed his full support for the dedicated staff of UNIDO who had gone through a difficult period and had to face an uncertain future while the reform and reorganization process was under way. He agreed that the year 1994 had shown an overall recovery in the world economy with a sharp increase in gross domestic product (GDP). However, that increase was unevenly distributed among the different regions of the world; the problems of the least developed countries and the unique social problems of Africa still had to be faced. In addition, serious new problems linked to growing liberal trends in economies must be tackled by UNIDO.

65. Since the first half of 1980, his country had embarked on a broad liberalization process which had now culminated in the adoption of measures of strict adherence to the principles of a market economy, including the liberalization of international current and capital transactions, the promotion of the competitiveness of exports and the restoration of stability on financial markets. It believed that those policies constituted the basis for achieving industrial competitiveness. Developing the private sector and achieving certain standards in industrial technology and trade could enable a country to become competitive.

66. The function of UNIDO had changed, and the Organization could now serve as a centre of excellence to create human resource capacity and technology for industrial competitiveness, and as a data bank for investors seeking projects in growing economies. Both the developed and the developing countries had their part to play in that new context. His country believed in and supported such interaction and in fact had long been both a recipient and a donor in UNIDO. It had provided training for experts from the least developed countries and recently set up an investment promotion centre in Istanbul. Turkey was now close to European standards of economy and trade and was ready to continue to support UNIDO for the benefit of both the developing and the developed countries.

67. While supporting the Director-General's efforts to improve UNIDO's programmes, Turkey continued to be concerned about the working methods of the UNIDO Secretariat. A great deal of time seemed to be lost on account of lengthy legal and financial procedures, departments continued to operate independently of one another and there was still a need to delegate authority to competent junior staff members. Regarding the financial situation, it was very difficult for the Secretariat to interpret the programme and budget for 1996-1997 in financial terms, and Turkey called for the financial support of all countries, developed and developing, to enable UNIDO's programme for the next biennium to be drawn up.

68. He supported the changes made in the organizational and staff structure and in UNIDO programmes in the hope that his comments would be taken seriously into account and that the necessary adjustments for the more effective functioning of the Organization would be made.

69. **Ms. HASAN** (Pakistan) said that her delegation welcomed the introduction of a process of reform and reorganization in UNIDO and the adaptation of the Organization's policies to changing demand patterns. While recognizing that the global environment for development was changing, her delegation continued to regard industrial development as a crucial instrument of social and economic progress, particularly at the present time for countries which required assistance in coping with the forces and pressures generated by the movement towards regional and global economic integration, and those countries that had simply been left behind. Her country attached the greatest importance to technical cooperation, the acquisition of new technology and access to information on technology and investment promotion opportunities, and recognized the growing importance of small and medium enterprises. Expertise was required in all those fields and in new areas such as those of environmental compatibility, energy and the qualitative improvement of industrial products.

70. Like other developing countries, Pakistan had given priority to strengthening the private sector through privatization, deregulation and direct foreign investment, in all of which areas it required advice and assistance. Studies made by UNIDO had shown that the resources of developing countries remained under-utilized because of the lack of technical know-how, equipment and expertise, in addition to socio-economic factors. UNIDO's

role as an honest broker thus assumed greater importance, but it was also important that UNIDO should provide expertise of a high calibre, based on a genuine understanding and appreciation of local conditions. In general, her delegation supported the proposals set out in document IDB.14/13.

71. Finally, while welcoming organizational restructuring, she believed it equally important to ensure equitable geographical representation in the Secretariat, especially at the higher Professional levels, and hoped that the Secretariat would take that point into account in future staff recruitment.

72. **Mr. SHUNGLU** (India) said that the whole United Nations system was passing through a period of crisis and that all the problems involved required to be dealt with in a comprehensive manner. His delegation fully supported the view that UNIDO should be enabled to play its full part in promoting the industrial development of the developing countries, and that renewed efforts should be made to strengthen its role and functions. The importance of UNIDO's role in the field of industrialization had been reaffirmed at the fifth session of the General Conference, when Member States had pledged their financial, political and technical support to the Organization to enable it to carry out its important tasks. Since then, UNIDO had carried out major structural and organizational reforms and introduced new measures to improve project cycle management and ensure quality, measures that were unique in the United Nations system.

73. The developing countries urgently required assistance in tackling the new challenges of environmental sustainability, industrial restructuring, private sector development, small, medium and rural industries and agro-industries, industrial competitiveness and the acquisition of technology. India regarded industrialization as a crucial component of any strategy for economic development, and essential if developing countries were to tackle the major problems of poverty, unemployment and income distribution adequately. Industrialization would also increase trade between the developing and the developed countries and contribute to boosting employment in the North as well as the South.

74. Unfortunately, however, the developing countries had not made great progress in industrialization. Some countries had improved their position considerably but the vast majority still faced difficult problems, arising from painful structural adjustment measures, lack of resources, lack of competitiveness and the challenge of environmental sustainability, not to mention restructuring and private sector development. Document IDB.14/13 sought to reconcile the resource and technical constraints of UNIDO with the increased demands for its services from the developing countries and economies in transition. His country appreciated the efforts made to focus UNIDO's programmes and activities on seven themes which it considered represented the minimum which UNIDO must be able to provide. It welcomed the implementation mechanisms and follow-up action described in chapter V of document IDB.14/13 and the clear indication that the reform process would be pursued vigorously and effectively.

75. It agreed that priority should be given to Africa and the LDCs in other regions but also considered that UNIDO should pay adequate attention to the needs of the Asian region, particularly as regards programmes and activities likely to make an impact on poverty or to meet basic human needs. India supported the industrialization of African countries and regarded its contribution as an important factor in strengthening economic relations between Africa and the rest of the world.

76. While welcoming the progress made in the reform process, India was concerned to note that the level of resources available to UNIDO had been declining. The commitments made in the Yaoundé Declaration to extend financial and political support to UNIDO appeared to be fading. Apart from an apparent lack of willingness to make voluntary contributions, there were signs that even assessed contributions might not be forthcoming. His country was deeply concerned by that development; it believed that UNIDO deserved better. Even modest resources spent on industrial development could yield great dividends in terms of economic growth and employment. It was to be hoped that Member States, and in particular the donor community, would respond positively to UNIDO's needs instead of calling into question the entire basis of contributions to organizations of the United Nations system.

77. **Mr. BAJOWA** (Nigeria) said he fully shared the views expressed by the spokesmen for the African Group and the Group of 77 in support of UNIDO. His country had noted the efforts made by the Director-General to reform and reorganize UNIDO and welcomed the information contained in document IDB.14/13.

78. The world was going through a period of great anxiety. Despite improvements in the world economy, many countries, including African countries, had to face great challenges. They believed UNIDO's role in their industrial development to be indispensable and consequently remained firm in their support for the Organization and would continue to take action to provide UNIDO with the means it required to meet the challenges set out in the Yaoundé Declaration. At their recent meeting in Botswana, the African Ministers of

Industry had affirmed their support for UNIDO, and it was to be hoped that the current Board session would enhance UNIDO's role in African development.

79. His country was satisfied that UNIDO's mandate had not been eroded in the process of reform and restructuring. Financial implications of those efforts had been addressed with vision, reinforcing confidence in the Director-General's leadership. Nigeria was confident that Member States would not deny UNIDO the support it required to complete the process.

80. His country supported UNIDO's thematic focus as set out in document IDB.14/13, paragraph 29, and the seven programmatic themes set out in paragraph 30. It had always recognized UNIDO's role in developing small and medium enterprises and hoped that that role would be further strengthened, especially with regard to industrial strategy, advisory and institutional support and the fostering of private sector development, including the capacity to design and implement effective privatization policies and programmes. It welcomed the establishment of new UNIDO investment promotion services in developing countries.

81. His delegation would welcome further clarifications on the sector-wide programme. While supporting cooperation in hazardous waste management, it suggested that such cooperation be carried out in close collaboration with existing national institutions, such as its own Federal Environmental Protection Agency.

82. His delegation did not consider it appropriate to give low priority to the areas of which examples were given in paragraphs 24 and 25. Those areas were the ones in which his Government and those of other countries in its subregion were encouraging private enterprise and he hoped that the areas of priority listed in paragraphs 24-27 could be reviewed with a view to making them more relevant to the developmental needs of the developing countries.

83. His delegation fully endorsed the proposals made concerning implementation mechanisms and follow-up action in paragraphs 161-168 and called for strong financial support for the programmes.

84. **Mr. Seung Kon LEE** (Republic of Korea) said that UNIDO seemed to be facing a challenge to its own existence. The recent report of the Commission on Global Governance had questioned the relevance of industrial assistance in a changing environment, and had recommended the possible closure of UNIDO. At the same time, the Halifax Summit of the Group of Seven had affirmed its readiness to consider the roles of certain institutions, including UNIDO, as a part of the United Nations reform process. The Republic of Korea supported the reform of the United Nations system, but since UNIDO was one of the first organizations in the system to be implementing a reform process its relevance and effectiveness should be assessed by its Member States themselves in a forward-looking manner. Industrialization remained the key to the social and economic development of the developing countries, and in that context his country fully supported the position of the Group of 77 that the role and function of UNIDO in assisting three quarters of humankind were more valid than ever.

85. The Republic of Korea welcomed what the Director-General had done since the fifth General Conference session to streamline UNIDO's structures, improve its management and administration, and redefine its priorities and focus, and considered that UNIDO was moving in the right direction. The Director-General deserved further encouragement from Member States in his efforts to make the Organization more relevant and better equipped to face the emerging challenges and demands. More attention should be paid to Africa and to the LDCs. The Director-General should ensure that UNIDO's horizontal priority programmes, such as human resource and private sector development, were adequately integrated into its substantive activities, and some of the implementation mechanisms, notably the work of the Programme and Project Review Committee, should be improved. Efforts had been made to fill managerial and lower-level posts on a wide and equitable geographical basis; while the highest standards of efficiency, competence and integrity should be maintained in recruitment policy, due consideration should continue to be accorded to candidates from countries that were underrepresented in the Secretariat.

86. The Republic of Korea supported the revised draft medium-term plan, 1996-2001, although it remained to be seen how UNIDO would be able to allocate its limited resources for the delivery of specific services in the context of such a broad framework. With regard to priority areas, those that were most crucial to the developing countries were the enhancement of international competitiveness and the promotion of human resource development: the latter had proved to be the very basis for the drive by some rapidly growing economies towards industrialization, and the international competitiveness of industry should be enhanced by helping to promote greater participation by the private sector, particularly small and medium-sized enterprises, with a bigger flow of foreign investment and technology.

87. **Mr. HALPHEN** (Observer for Panama) said that the current session of the Board was crucial at a time when the Organization's very existence was being questioned, even in the press. Since the autumn of 1993, his Government had tried by all possible diplomatic means

to obtain answers to its legitimate, written questions regarding the UNIDO Country Director programme and regarding the staff reduction of 1993, including its real cost, ultimately met by the Member States of UNIDO. Unfortunately, the Director-General of UNIDO had not acted in a manner acceptable to the Permanent Mission of Panama or to its Ministry of Foreign Affairs; faxes and letters from the Ministry and from at least one of Panama's ambassadors accredited in Europe had not been answered. The Head of the Permanent Mission had not, in December 1993, been informed by UNIDO of the true situation regarding the communications received by it from the Ministry of Foreign Affairs of Panama. In 1994, as if to emphasize to his country that it was still not considered important by UNIDO, a project of great value and potential for its industrial development, to have been funded by UNDP, had been undermined within UNIDO, for reasons that were unknown but suspected, by someone to whom the Director-General had given authority, but without his insisting on a follow-up consonant with good management.

88. Bearing in mind that Panama, at great sacrifice and to the detriment of its social debt, had paid its assessment to UNIDO in full in the summer of 1994, his delegation believed that the negative aspects of the sequence of events since 1993 could easily have been avoided if the Director-General had exercised basic diplomacy instead of producing situations of confrontation, and had spoken with clarity instead of remaining silent, thus obfuscating the reality of the situation. In order to give a tangible example of the reasons for his delegation's position, he would mention some of its Government's concerns when agenda item 5 was taken up.

89. **Mr. EL GAILANI** (Sudan) said that great political and economic changes had taken place in the world in the two years since the Yaoundé Declaration which presented many challenges and required continued activity on the part of UNIDO. Commissions had emerged which presented additional challenges to UNIDO if it wished to retain its specificity as an organization. There was a conspiracy which undermined UNIDO's very existence, and which could lead to its disappearance or to its merger with other organizations. UNIDO was at a crossroads, but the Sudan was convinced that Member States would be able to deal with what were temporary difficulties by taking the necessary decisions. The Sudan reaffirmed its commitment to the goals and priorities set by the Yaoundé Declaration, which had to be translated into tangible action.

90. The Sudan endorsed the seven programmatic themes set out in document IDB.14/13, and appealed to Member States to be aware that industrial development needed financial and political support. The Director-General had put all his energy into the reorganization and transformation of UNIDO, which had achieved spectacularly swift reforms compared with what was happening in some other organizations. There was still a need for geographical distribution within the restructuring process at various levels. The Sudan's close cooperation with UNIDO would continue. His country was pursuing its industrial development policy on the basis of free-market principles, promoting investment and enhancing the link between industry and agriculture, which would bring in foreign currency as well as increase agricultural yield, with, as a consequence, an immediate effect on industrial development and the level of social well-being. Finally, the Sudan endorsed the statement made by the representative of the Group of 77.

91. **Mr. AKAO** (Japan) said that the recent Halifax Summit of the Group of Seven had confirmed that effective and efficient international institutions were important for all countries; mention had been made of a number of bodies and organs whose roles needed to be considered in the light of evolving challenges, and UNIDO had been specifically named. UNIDO had undertaken reform far ahead of other international organizations, and the goals of its reform process had to some extent already been achieved. Japan encouraged such initiatives, and urged the Director-General to coordinate them with reforms being undertaken elsewhere in the United Nations system. The reform process in UNIDO must be continued. Top priority for UNIDO services should go to clearly defined target countries, especially the LDCs and the countries of Africa, while the concept of graduation from UNIDO services for middle-income countries should be promoted. Services to the latter countries should be provided through extra-budgetary resources, as was the practice with economies in transition. The further prioritization of activities and shifting the emphasis to upstream activities should be encouraged, and the Director-General's plans for a sectoral and thematic focus represented a welcome step forward. However, it was very difficult to visualize how the new policy framework would contribute to the improvement of UNIDO's programmes, and his delegation would be watching carefully to see how it was to be implemented. Further streamlining of the management of the Secretariat was essential. The elimination of all five Deputy Director-General posts had been most

welcome, and the possibility of reducing the number of Managing Director posts might also be explored. Now that the administration of conference services had been transferred to the United Nations Office at Vienna, it might be appropriate to include a comprehensive review of the building and restaurant management in any further rationalization.

92. It was Japan's firm belief that the reform of UNIDO had to be accompanied by the full discharge of obligations by all Member States, for without timely payment of assessed contributions the Organization's operation and effective management would be seriously impaired. However, UNIDO should adapt itself to financial realities in order to advance further reform. As necessitated by budgetary constraints, and through reform measures, UNIDO could become more responsive to the changing needs of its Member States.

93. The Government of Japan did not associate itself, at least at the present moment, with suggestions from some quarters that UNIDO should be terminated. It had played and continued to play an important role in the promotion of industrialization in developing countries, and for that reason Japan had supported UNIDO's activities through both assessed and voluntary contributions. The statement made by the representative of the United States of America at the previous meeting had been regrettable; Japan understood the difficulties which the United States Administration was encountering *vis-à-vis* Congress, but they did not justify any delinquency in the payment of assessed contributions. Indeed, at the recent Summit of the Group of Seven, President Clinton had associated himself with other leaders in calling upon all Member States to meet their financial obligations. To penalize a particular organization that was already in the process of reform — indeed at the forefront of reform within the United Nations — would have a strongly adverse effect, and act as a disincentive to other United Nations organs and bodies which should be encouraged to continue with reforms. It should not be forgotten that it was the Member States which changed or approved the policies and budgets of UNIDO, and that the success of its further reform would be a reflection of their own abilities to be reform-minded, rather than of their being prepared simply to await initiatives from the Director-General.

94. **Mr. SUWANDI** (Observer for Indonesia) commended the Director-General for the information provided in document IDB.14/13, and said that the thematic, geographical and sectoral focuses set out therein could serve as priority guidelines in the selection and rendering of technical cooperation projects and other UNIDO services for the next biennium. The present guidelines for the management of UNIDO services could be supplemented with the three focus guidelines. His delegation agreed with the proposal that the medium-term plan, 1996-2001, be renamed the "medium-term programme framework", since it constituted the principal framework for the biennial programme; Indonesia also supported the proposal that its time coverage be reduced to a period of four years. Finally, he expressed his support for the statement made by the representative of the Group of 77.

95. **Mr. KASSIM** (Observer for Malaysia), speaking on behalf of the Asian Group, expressed support for the process of reform and revitalization within UNIDO, and for the remarks made by the Chairman of the Group of 77 on the importance of industrialization for development and on the crucial role of UNIDO within the United Nations system in promoting industrialization. He said that he shared the common concern regarding the payment of assessed contributions, which were crucial to the smooth implementation of UNIDO's programmes, and he appealed to all Member States to fulfil their obligations under UNIDO's Constitution.

The meeting rose at 6 p.m.